

purposes of such paragraph shall be computed on the basis of the rates of basic pay in effect on the date on which the annuity provided by such person is to become effective in accordance with the designation of such person under section 1448(e) of this title.

"(c) ANNUITIES FOR SURVIVORS OF CERTAIN PERSONS DYING DURING A PERIOD OF SPECIAL ELIGIBILITY FOR SEP.—

"(1) IN GENERAL.—In the case of an annuity provided under section 1448(d) or 1448(f) of this title, the amount of the annuity shall be determined as follows:

"(A) BENEFICIARY UNDER 62 YEARS OF AGE.—If the person receiving the annuity is under 62 years of age or is a dependent child when the member or former member dies, the monthly annuity shall be the amount equal to 55 percent of the retired pay to which the member or former member would have been entitled if the member or former member had been entitled to that pay based upon his years of active service when he died.

"(B) BENEFICIARY 62 YEARS OF AGE OR OLDER.—

"(i) GENERAL RULE.—If the person receiving the annuity (other than a dependent child) is 62 years of age or older when the member or former member dies, the monthly annuity shall be the amount equal to 35 percent of the retired pay to which the member or former member would have been entitled if the member or former member had been entitled to that pay based upon his years of active service when he died.

"(ii) RULE IF BENEFICIARY ELIGIBLE FOR SOCIAL SECURITY OFFSET COMPUTATION.—If the beneficiary is eligible to have the annuity computed under subsection (e) and if at the time the beneficiary becomes entitled to the annuity computation of the annuity under that subsection is more favorable to the beneficiary than computation under clause (i), the annuity shall be computed under that subsection rather than under clause

"(2) DIG OFFSET.—An annuity computed under paragraph (1) that is paid to a surviving spouse shall be

reduced by  
the amount of dependency and indemnity  
compensation to  
which the surviving spouse is entitled under  
section 1311(a)  
of title 38. Any such reduction shall be effective  
on the date  
of the commencement of the period of payment of  
such com-  
pensation under title 38.

"(3) SERVICE MEMBERS NOT YET GRANTED  
RETIRED PAY.—  
In the case of an annuity provided by reason of  
the service  
of a member described in section 1448(d)(1)(B) or  
1448(d)(1)(C)  
of this title who first became a member of a  
uniformed service  
before September 8, 1980, the retired pay to  
which the member  
would have been entitled when he died shall be  
determined  
for purposes of paragraph (1) based upon the  
rate of basic  
pay in effect at the time of death for the  
grade in which  
the member was serving at the time of death,  
unless (as deter-  
mined by the Secretary concerned) the member  
would have  
been entitled to be retired in a higher grade.

"(4) RATE OF PAY TO BE USED IN COMPUTING  
ANNUITY.—  
In the case of an annuity paid under section  
1448(f) of this